

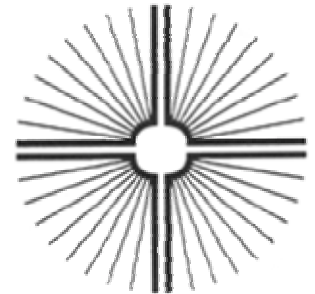
Community College Finance: ***Challenges Faced,*** ***Solutions Sought***

Assembly Higher Education Committee

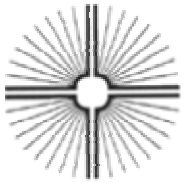
December 9, 2003

Scott Lay

Director, State Budget Issues

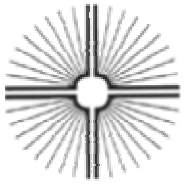


**COMMUNITY
COLLEGE
LEAGUE
OF CALIFORNIA**



Issues Identified

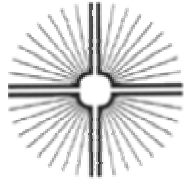
- Current funding mechanism is overly complex.
- Funding disparities among districts continue.
- Enrollment growth allocations impede student access.
- Noncredit rate has fallen behind the K-12 rate.
- Planning is difficult.
- Students are being negatively affected.



Principles

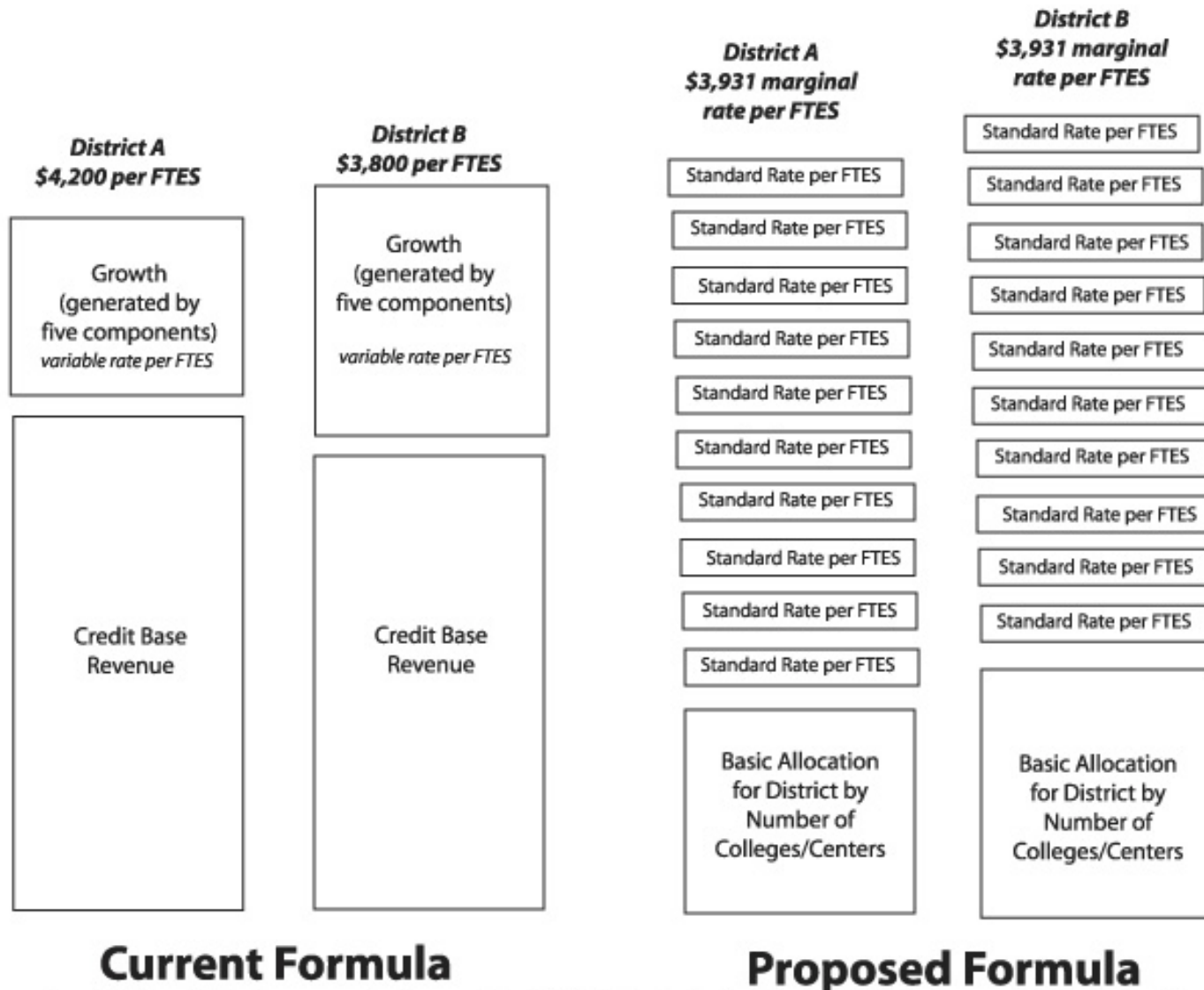
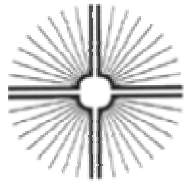
- The following five tenets are most often brought up as missing from the existing funding formula.
 - Understandability
 - Predictability
 - Reliability
 - Stability
 - Equitability

A framework for equalization

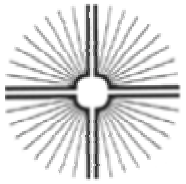


- **Begin with the Dr. Dymally approach, with a basic allocation, plus an equalized marginal credit rate.**
- **Incorporate changes to address concerns:**
 - **Modify the basic allocation:**
 - Larger college basic allocation.
 - Basic allocation for CPEC-approved instructional centers.
 - **Five-year equalization to bring all districts to within \$100 the second-highest marginal rate.**
 - **One-time permanent equalization.**

Current v. Proposed Formula

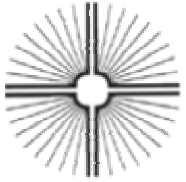


Equalization will be the process to increase the district standard rates to within \$100 of second-highest rate. By 2008-09, all districts would receive the same standard rate for existing and new full-time equiv. students.



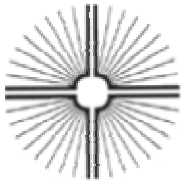
Framework results

- Through this methodology, 68 out of 72 districts would receive equalization funds, which would total \$272 million (current dollars).
- Equalization would be complete after the infusion of funds, and there should be no need for ongoing equalization.
- Student access would be maintained while qualitatively improving community college programs.
- Categorical programs, other than Partnership for Excellence, are not affected.



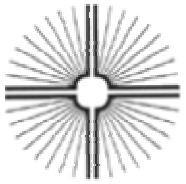
Equal Access Initiative

- Enrollment growth
 - Ensure adequate funding for student access needs with an infusion of growth funds to address immediate access crisis.
 - Avoid immediate displacement of CCC students by UC/CSU students.
 - Avoid elimination of access for unfunded FTES.
 - Explore more accurate and stable growth rate calculation.
- Fees
 - Allow districts to keep enrollment fee revenue for non-state supported students (over cap and nonresident students).



Framework Advantages

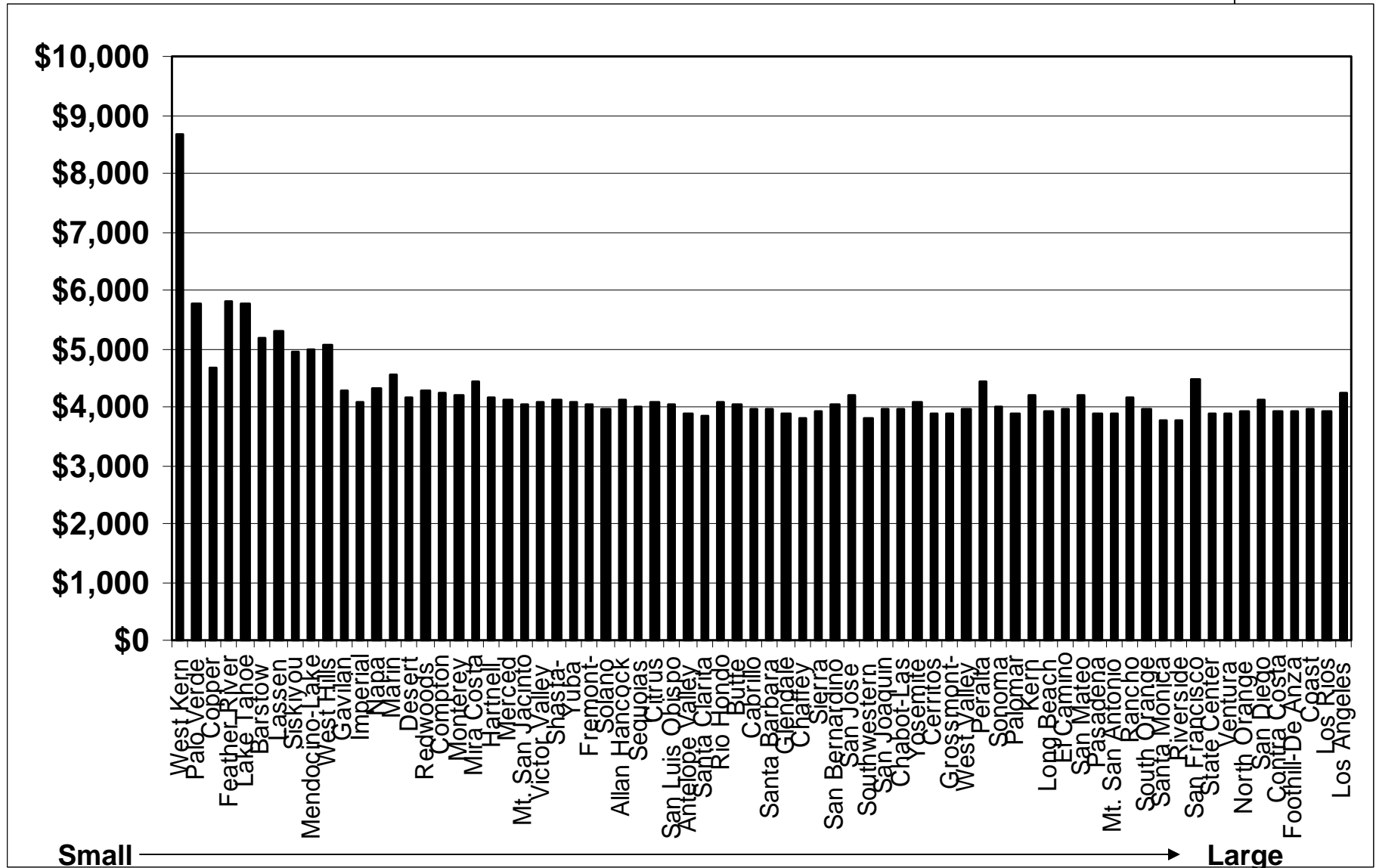
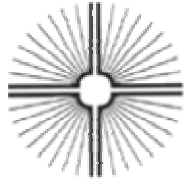
- Advantages:
 - No district loses funds. Every district benefits from one of the three components (equalization, growth, noncredit rate)
 - Many system leaders are familiar with the concept.
 - Relatively simple, while recognizing that scales and fixed costs are built into existing funding.
 - Tackles equalization, noncredit and enrollment growth in one policy change.



Framework Disadvantages

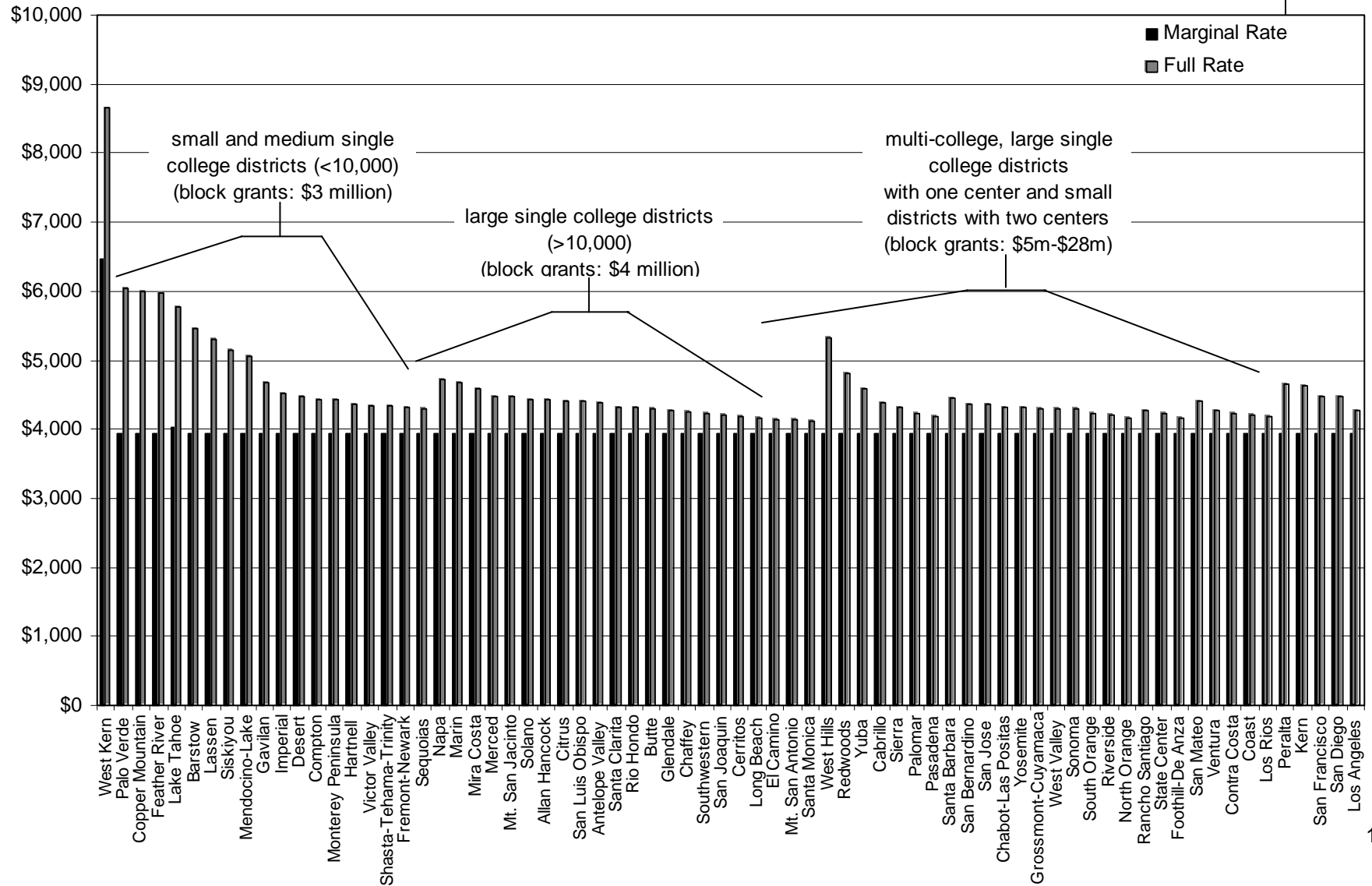
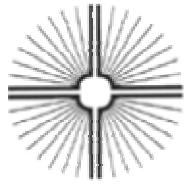
- Disadvantages:
 - Any methodology may result in different expectations to individual districts.
 - Significant changes from existing system may make districts and constituencies uncomfortable.
 - The funding results would be nowhere near Real Cost of Education or 100% of standard under program-based funding.
 - In other words, the allocation method does not address the qualitative insufficiencies facing the system.

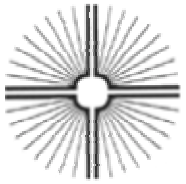
Current Credit Rev. per FTES



Post-Equalization Rev. per FTEs

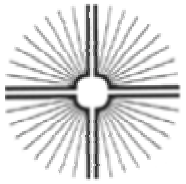
Marginal and full rate





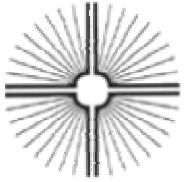
Enrollment Growth

- Enrollment grew faster than state funding beginning in 2001-02
 - Fees had been lowered.
 - Tidal Wave II: UC, CSU campuses impacted.
 - Recession began; students seeking retraining.
 - Significant outreach through Partnership for Excellence, other programs.
- Over the last 18 months, program cuts, mandated cost increases, and the underfunding of enrollment growth has created a significant access gap.
(CCCCO: 175,000 students – confirmed by Dept of Finance enrollment projection numbers)

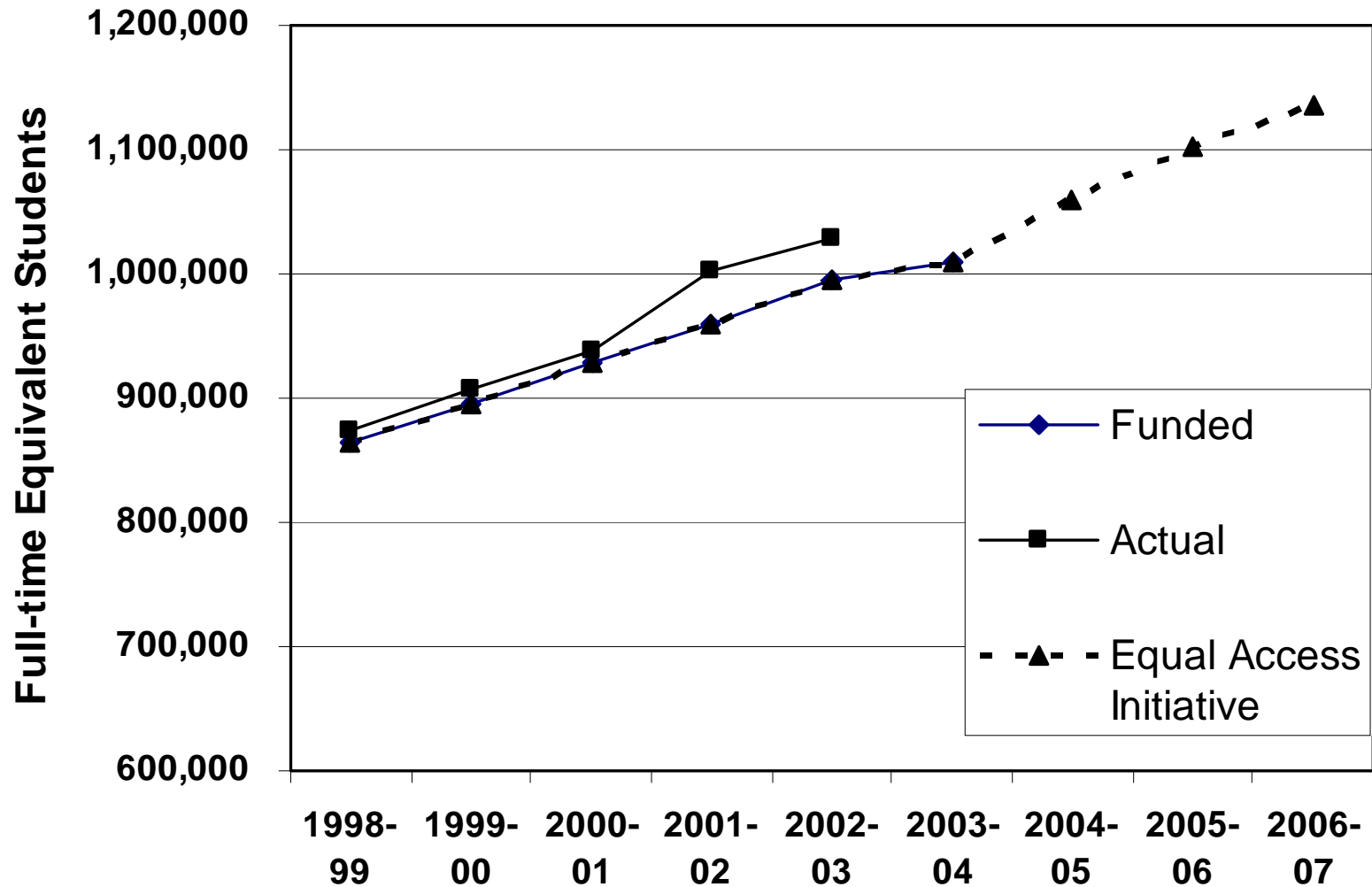


Enrollment Growth

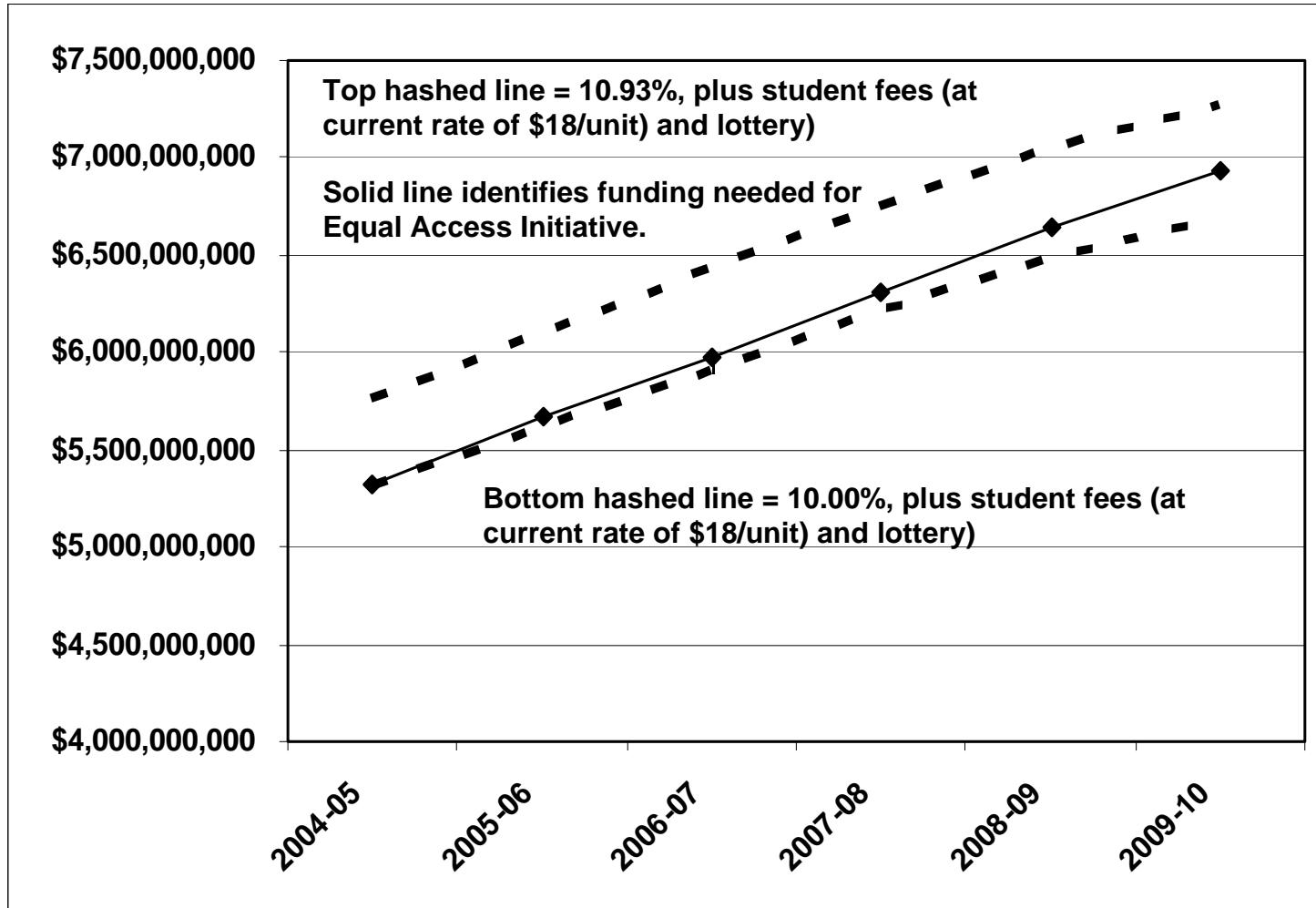
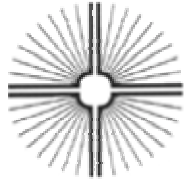
- Existing access gap of 175,000 students.
- At least 12,000 additional students will be redirected to community colleges from UC and CSU.
- Right now, dreams are being deferred. Immediate action is needed to ensure they are not denied.
- **Proposal: Close the gap over two years through growth funding:**
 - 5% in 2004-05
 - 4% in 2005-06
 - 3% through Tidal Wave II

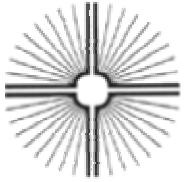


Funded Credit Enrollment



Proposition 98 and the Equal Access Initiative





Implementation Process

- **November-December:**
 - Technical development
- **January-March:**
 - System consensus, legislative briefings
- **April-June:**
 - Statutory and budget act implementation
- **2004-2009:**
 - Equalization implementation